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starter from the day "go". After that there was a change in Government. After that the Art. 249 Resolution itself lapsed. It was no longer necessary because President's rule had been imposed and under President's rule we have always that power to make laws on State subjects. What we are trying to do is— I want to use this expression — "a more effective policing of the border". "A more effective policing of the border" involves a number of elements. Firstly, a high wire fencing along the most vulnerable segments of the border and cat-wire fencing along the *nakas*, ravines, approach routes and other known access routes. We have also supplied to our Border Security Force equipment which will detect intrusion. We are also installing some equipment compatible with the equipment already installed by the Army which will help detect intruders. But for obvious reasons, I cannot reveal the nature of the equipment. We have put up over 200 border observation towers. We want to put up another 707 border observation towers. Work has started on a crash basis. We have set up Special Committees to grant the sanctions. I have visited the border. I have seen the fencing myself. Work is going on day and night, seven days a week. Fencing will be complete in eight weeks from last week. We think that these measures coupled with some other steps that have been taken, which obviously I cannot disclose on the ground of public interest, will mean "a more effective policing of the border". I think the results are already apparent. Yet, as I said earlier, I would like to keep my fingers crossed and see what happens over the next eight weeks.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): The question is:

"That this House approves the continuance in force of the Proclamation issued by the President on the 11th May, 1987, under article 356 of the Constituion in relation to the State of Punjab, for a further period of six months with effect from the 11th May, 1988."

The motion was adopted.

THE FINANCE BILL, 1988

THE MINISTER OF FINANCE AND THE MINISTER OF COMMERCE (SHRI NARAYAN DATT TIWARI): Sir, I beg to move:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year, 1988-89 as passed by the Lok Sabha, be taken into consideration."

The details of the proopsals in the Finance Bill have been spelt out in the Explanatory Memorandum, which has been circulated along with the Budget papers. The important features of budget proposals were also explained in the Budget peech. I will not, therefore, take up the time of the House by going over the same ground.

I am most grateful to Hon'ble Members on both sides of the House for their valuable suggestions regarding the provisions of the Finance Bill during the general debate. I also had the good fortune of receiving suggestions from Economists, Chartered Accountants, Taxation Experts and other knowledgeable persons. Personally, I fell gratified that the overall approach of the Budget and various proposals contained in it have received wide-spread support. Certain suggestions have also been received for modifications in the original Budget proposals. In response to these, I have decided to make certain amendments in the original Budget proposals.

In respect of Direct Taxes, I propose to make the following announcements some of which have already been implemented in the Finance Bill, which has been passed by the Lok Sabha.

Hon'ble Members will recall that in the Budget, I had provided several incentives for export promotion. In order to give further boost to our export earnings, it has been decided that the new 'tax holiday' provision under Section 108 for 100 per cent Export Oriented Units will be made available for the full 5-year period to existing units which have already operated for a few years.

The complete tax exemption introduced through the propsed amendment to Section 80 HHC in respect of export profits was subject to the requirement of minimum tax contained in Section 115 J of the Income-tax Act, as far as corporate assessees are concerned. I propose to remove this restriction by a suitable amendment to Section 115J. With this amendment, exporters can take full advantage of the 100 per cent tax exemption on export profits.

State Electricity Boards and other companies engaged in generation or distribution of electric power will not be subject to the provisions of minimum tax contained in Section 115J.

Separately, I also propose to reintroduce the Investment Allowance Scheme for selected priority industries in which investment has to be encouraged. This scheme will be available as an option in place of the Investment Deposit Account and the option once exercised by the assessee cannot be changed for next five assessment years. The rate of investment allowance is proposed to be 20 per cent and the provisions are proposed to be similar to the earlier investment allowance scheme. The list of eligible industries and other details will be announced separately.

I also propose to take certain measures for encouragement of tourism which is a major foreign exchange earner for the country and the tourism industry also provides employment in substantial numbers. It is proposed that the benefits of Section 80HHC, hitherto available for merchandise exports, will also be extended to hotels and tour operators. This scheme will be operated broadly on the same lines as prevailing scheme for exporters with one modification in order to ensure that tax benefit is substantially re-invested in tourism related activties like hotels, travel agencies, tour operators, tourist equipment, etc. Fifty per cent of the income attributable to the foreign exchange earnings of hotels, etc. will be allowed as a deduction straightaway. For the remaining 50 per cent, the benefit of tax exemption will be avilable to the extent that income is taken to a reserve for reinvestment in tourism indusrty. It is a'so proposed that benefit of Section 80 CC in respect of investment in new equity will also be available for new capital issues of hotel industry and other specified tourism related activities. The details will be announced separately.

It is also proposed to increase the rate of interest subsidy for one, two and three-star hotels to 3 per cent from the present rate of 1 per cent.

Necessary legislation to give effect to various new measures announced by me will be introduced shortly.

As Hon'ble Members are aware, a new Section 44AC was proposed to be inserted in the Income-tax Act to combat large scale tax evasion by persons doing business of sale of alcoholic liquor, forest produce etc. Taking into account the difficulties

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pointed out in several representations received, it is now propsed to amend this clause in the Finance Bill to provide substantially lower rates for determination of income from the business of trading in these goods.

These rates have now been reduced to 40 per cent in the case of alcoholic liquor, 35 per cent in the case of timber obtained under a lease contract, 15 per cent in the case of timber obtained other than under a lease contract, and 35 per cent in the case of all other forest produce. The proposal to determine the income from business of trading in scrap or waste at a flat rate of 60 per cent of the purchase price is being withdrawn. In view of the varying rates of profits, the rates of tax to be collected at source have also been suitably changed.

The Bill proposed to limit the exemption from wealthtax on investment made in certain public sector bonds to Rs. 5 lakhs. This proposal was made as a measure of rationalisation. Since it is not the intention of the Government to take away the existing benefit in this regard, it is proposed to carry out necessary amendment to provide that the limit for exemption from wealth-tax will apply only in respect of bonds sold by public sector companies on or after 1st June, 1988.

Hon'ble Members will recall that in my Budget Speech, I had announced that some of the provisions incorporated by the Direct Tax Laws (Amendment) Act, 1987 are being reviewed. These include the provisions relating to the partnership firms. Subsequently, Shri Panja had made an announcement in this House on the 30th March last that the new provisions relating to partnership firms will come into operation from the assesment year 1990-91. Accordingly, provisions have been made in the Bill to secure that both registered and unregistered firms will pay their advance tax during the current financial year at progressive rates. The rates will be the same as the rates in the last year. However, as in the case of other tax payers all firms having income exceeding fifty thousand rupees will also be paying surcharge, at the rate of 5 per cent of the tax.

The Bill seeks to provide that the benefit of carry forward and set-off of past years' business losses shall not be given to a closely-held company, in the event of change in the shareholding effecting a change in the voting power by 51 per cent or more. Representations have been received that such a provision is likely to cause hardship in cases where the change in the shareholding has taken place purely on account of bonafide reasons such as on account of death of a sharehloder or gift to relatives and not with an intention of tax avoidance. Since it is not the intention of the Government to deny the carry forward of loss in such genuine cases, it is proposed to amend this provision to secure that the carry forward and set-off of past years' losses shall not be denied to a closely held company where a change in the shareholding resulting in a change in voting power to the extent of 51 per cent. or more has taken place in the event of death of a shareholder or gift of shares made by a shareholder to his relatives.

The other amendments relating to Direct Taxes are purely of consequential or clarificatory nature and I would not like to take the time of the House in dealing with them.

I have proposed certain amendments in the Finance Bill, in the portion relating to Indirect Taxes which are purely of consequential nature or in the nature of enabling provisions and do not involve major revenue implications.

The other changes in respect of Indirect Taxes are as follows:—

(1) To ensure availability of wool at reasonable prices to the carpet industry, I am reducing the import duty on raw wool of 36 microns and above from 25 per cent to 5 per cent. The exemption would be subject to imports being made by a canalising agency.

(2) In my Budget proposals, I had proposed full rebate of excise duty in respect of Tea exported directly from factories. As a further liberalisation of this measure, I propose to provide for full rebate of excise duty for export of Tea in all cases.

(3) In the Budget, the excise duty on audio magnetic tapes was increased to Rs. 4/- per square metre. As a measure of relief to this industry, I now propose to reduce the rate to Rs. 2/- per square metre.

(4) The import duty (basic plus auxiliary) on styrene monomer, a raw material used in the manufacture of plastics and rubber is being reduced from 65 per cent plus Rs. 1700/- per tonne to 30 per cent plus Rs. 1700/- per tonne.

(5) I had announced certain reliefs for the plastic woven sack industry in the Budget. To assist this industry further, I propose to reduce the basic excise duty on plastic woven sacks manufactured on circular looms from 12 per cent to 8 per cent. I also propose to reduce the basic excise duty on fabrics laminated with Low Density Polyethylene from 15 per cent to 5 per cent ad valorem.

(6) In the Budget, aluminium extrusions and tubes of aluminium used in the manufacture of artificial limbs were completely exempted from excise duty. As a further measure of relief to the physically handicapped persons, it is proposed to fully exempt extrusions and tubes of aluminium used in the manufacture of 11 specified rehabilitation aids.

(7) The import duty on outboard motors is proposed to be reduced from the existing level to 25 per cent when such motors are imported by State Fisheries Corporation.

(8) A number of concessions for health and medicare were announced in the Budget. As a further step in that direction, I propose to fully exempt from customs duty 32 "sight-saving" equipments. Besides, 17 specified Opthalmic equipments would carry a concessional rate of import duty of 40 per cent. Spare parts and accessories of such equipments would also get the benefit of the concessional rates.

(9) It is proposed to fully exempt computer soft-ware from excise duty.

(10) In the Budget, I had proposed full exemption from excise duty on Electric Motors used in Mono Block Pump Sets and Submersible Pump Sets. As a further extension of this concession, I propose to exempt parts of heading No. 85.03 of the Central Excise Tariff suitable for use solely or principally with electric motors which are in turn used in the manufacture of submersible pump sets or monoblock pump sets.

The total impact of these concessions and reliefs aggregate to Rs. 12.8 crores on the customs side and Rs. 26.5 crores on the excise side.

Certain other changes are also proposed to be made which are in the nature of corrective measures. I would not like to take up the time of the Hon'ble Members over the de-

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tails of such measures. In respect of some of the changes proposed, notifications giving effect to the changes have already been issued. In respect of other changes, notifications for giving effect to the proposed changes, wherever necessary, would be issued and laid on the Table of the House in due course.

Mr. Vice-Chairman, in consonance with our policy of generating more employment throughout the country, the Government will be announcing a package of measures for encouraging industrialisation of backward areas. Meanwhile, I am happy to announce that the subsidy scheme for backward areas will continue for another six months.

I request Hon'ble Members to lend their support to the Finance Bill, as passed by the Lok Sabha.

Sir, I move the Bill.

The question was proposed.

PAPER LAID ON THE TABLE—Contd.

Post Mortem report on late Shri K. Vasudeva Panicker, member, Rajya Sabha.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Honourable Members before continuing the discussion a small item may be disposed of — laying the post mortem report on late Mr. K. V. Panicker. If the House agrees, I will call upon the Minister.

SOME HON. MEMBERS: Yes.

श्री अटल बिहारी वाजपेयी (मध्य प्रदेश) : पढ़कर सुनाने दें।

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): When it is laid, it becomes property of the House.

THE MINISTER OF STATE IN THE MINISTRY OF HEALTH AND FAMILY WELFARE (KUMARI SAROJ KHAPARDE): Mr. Vice-Chairman, Sir, I have already made my factual statement regarding sudden death of Shri K. Vasudeva Panicker. I have nothing further to add to the statement made by me yesterday on the floor of the House. But as I have promised in the House yesterday, Sir, I beg to lay on the Table of the House a copy of the post mortem report on Shri K. Vasudeva Panicker, Member, Rajya Sabha. [Placed in Library. *See* No. LT-6118/88]

THE FINANCE BILL, 1988—Contd.

SHRI KAMAL MORARKA (Rajasthan): Sir, the Finance Bill, which is before this House is woefully inadequate to achieve the objectives for which it has been presented, and the Budget which it reflects, leaves much to be desired. At the outset, Sir, I would like to point out that for many many years, the Budget and the Finance Bill were extremely important documents which not only served the purpose of giving the revenue and the expenditure of the Government as also the taxation or the changes in the taxation structure but it was a very important indication of the social philosophy for the next year. Sir, I speak with considerable anguish that over the years, we have seen that the Budget is no more sacrosanct, that during the year, the Government levies taxes many times and this year in particular, we have seen that a very heavy dose of taxation has been levied just a month before the Budget in the shape of not only administered prices but also in the shape of levies on petroleum and posts and telegraphs. Sir, before I make my submissions, I must say that this is a very vital change in the management of the economy of this country. While the Opposition lodges its protest every time there is a taxation burden, Sir, it is really the common man, the small man, who suffers. The inflationary spiral is generated every